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City Affairs Committee of
New York

The A. B. C. of buses

[New York]

1931

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The A.B.C. of Buses

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City Affairs Committee Bulletin

NOVEMBER, 1931

308

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Box 357



THREE BUS BATTLES are now in progress in New York, The Battle of Queens, the Battle of Brooklyn, and the Battle of Manhattan.

The stake in each battle is the right to use the city's streets for private profit. The amount of the stake is at least \$70,000,000. The City Affairs Committee is fighting for (1) the granting of no bus franchises except recapturable franchises to the responsible private companies that will give the city the most money and the best service, (2) the operation of all bus lines by the city at the earliest possible moment. At present the city does not have the original power to operate bus lines of its own, but it does have the power, under Section 73 of the City Charter, to grant recapturable bus franchises, to recapture the lines, and then to operate them after it has exercised this right of recapture.

The Walker Administration is in the camp of the powerful bus companies. It has allowed numerous independent bus operators to use the city's streets for 12 years, without paying a cent to the city, although such operation is illegal. The city has lost millions because of this failure to act on the part of the city administration. No provision has been made for the protection of workers.

In 1927 the Mayor jammed through a city wide franchise for the Equitable Coach Company, a fly-by-night concern backed by friends of the mayor. This scheme collapsed because of lack of financial backing and a city wide scandal.

The Walker administration has contemptuously ignored Section 74 of the City Charter which requires the Board of Estimate and Apportionment to make an inquiry into the money value of the franchise to be granted and the compensation to be paid therefor. The only pretense of compliance is a report published in 1926. This report was a sham, published for the purpose of giving color to the scandalous Equitable deal. The Walker

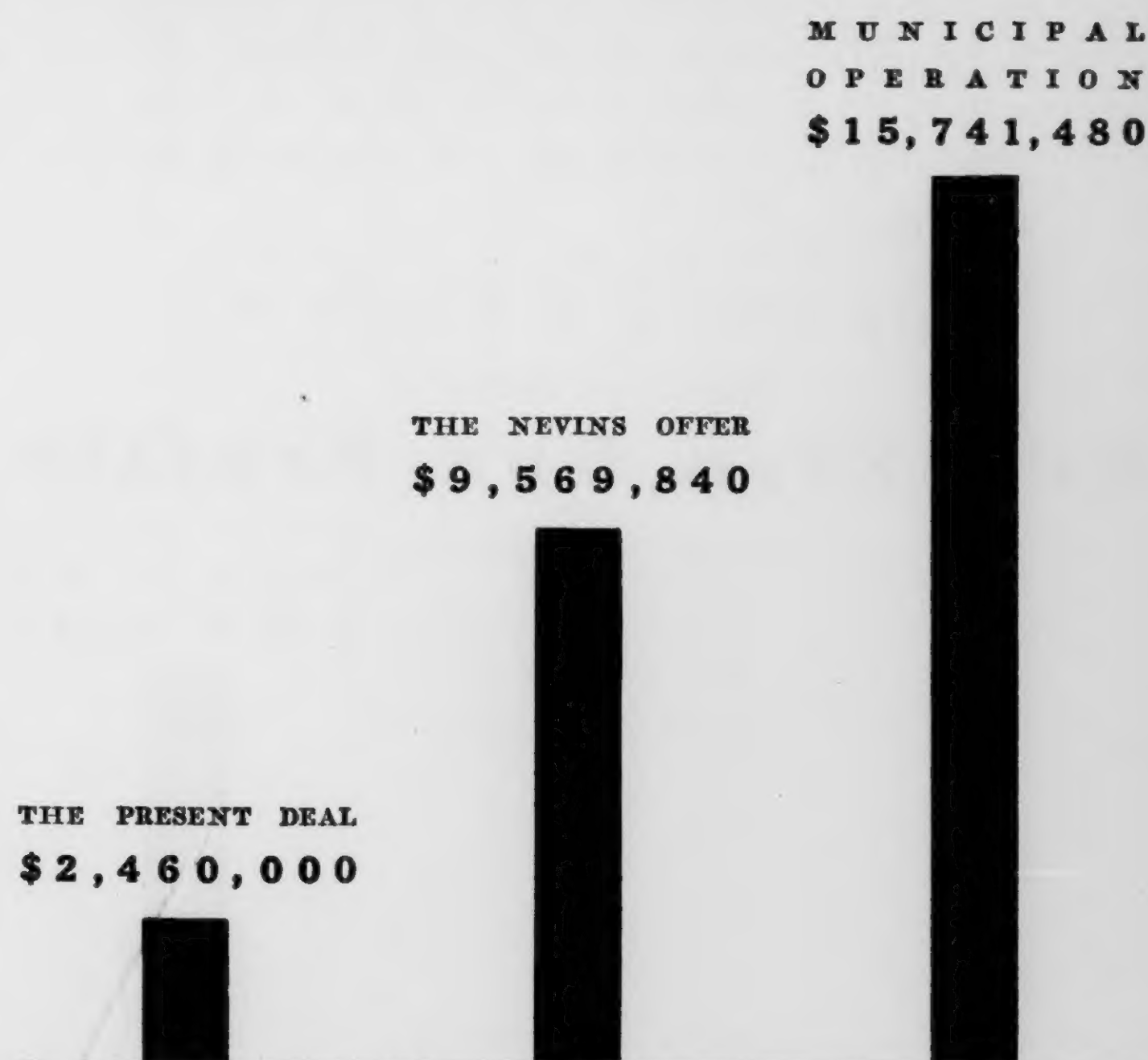
administration has declared 22% to be a fair return for a bus operator while courts were declaring that 8% is a fair return on investment for public utilities.

The following charts show the tremendous profits to be made out of private bus operation, and the saving which could be effected by granting recapturable franchises and municipal operation after recapture under Section 73 of the charter.

THE BATTLE OF QUEENS

The City's Share of

Queens Bus Profits



This chart shows the city's share in Queens Bus profits under the proposed franchises of the North Shore Bus Company and the Jamaica Bus Company.

In the first column the amount of \$2,460,000 would be paid by these two Companies as five per cent of gross revenues for ten years.

The second column shows a profit of \$9,569,840 which would come to the city under the offer of the Nevins Bus Company. This figure is derived from the profits. Estimates presented at the hearing before Deputy Controller Priol by Mr. William Nevin. Mr. Nevin agreed to pay the city the standard five per cent of gross revenues plus one-half of all profits above six per cent on the actual investment.

The third column shows the returns to the city if the city captured all Queens bus lines after two years of a terminable franchise. It is predicted on the assumption that the companies would pay to the city for the first two years an amount equivalent to the Nevin offer, whereupon the city could recapture and keep the profits for itself.

Dec. 20, 1932 PA/H20

Under the proposed deal, the favored companies will make a net profit of at least 112%. The most startling fact about the proposed franchise in Queens is that Fred C. Harris, treasurer of the Jamaica Central Railway Company and a director of the bus concern which Mayor Walker strongly favored for one of the two Queens bus franchises, has been holding a lock-box in the Chase Safe Deposit Company jointly with Mayor Walker and Russell Sherwood, the mayor's business agent, who has carefully absented himself from the Seabury inquiry. This fact, which was discovered independently by the City Affairs Committee and simultaneously by the New York Evening Post, was transmitted to Judge Seabury on October 30, 1931, by the City Affairs Committee, and the Seabury staff is now following it up. Mr. Harris' company was about to get a ten-year franchise from the city for at least \$250,000 a year less than it was worth to the city.

THE BATTLE OF BROOKLYN

The City's Share of

Brooklyn Bus Profits

MUNICIPAL
OPERATION
\$13,595,424

BROOKLYN BUS
CORPORATION DEAL
\$2,089,450

THE OFFER OF
SHEEPSHEAD BAY
COACH COMPANY
\$2,289,450

Brooklyn Bus—This figure is based upon the terms of the franchise already granted to the Brooklyn Bus Company, i.e., 5 per cent of gross receipts for 10 years.

Sheepshead Bay—This company offered \$200,000 cash, in addition to the 5 per cent of gross receipts of the Brooklyn Bus Company.

Municipal Operation—This figure is based upon 5 per cent of gross receipts for two years. At the end of two years the city would recapture and get all the profits.

The Brooklyn Bus Corporation will earn 150% net profit annually on its actual investment under the above franchise. The franchise was granted April 28, 1931, over the bitter opposition of this committee and while a competing bus owner was publicly offering the city \$200,000 more than the Brooklyn Bus Company offered in addition to other terms more favorable to the city.

But the Brooklyn battle is not over. The City Affairs Committee, in the name of its executive director, Paul Blanshard, has filed a taxpayer's suit against the Brooklyn concern and the city. The case is now being fought out in the courts, with Louis Waldman as counsel. The committee has won the first skirmish, and anticipates that the franchise will be set aside on the ground that it was adopted in violation of Section 74 of the City Charter, mentioned above.

THE BATTLE OF MANHATTAN

The City's Share of

Manhattan Bus Profits

(LONGITUDINAL ROUTES)

MUNICIPAL
OPERATION
\$37,176,275

THE PRESENT DEAL
\$1,657,400

EXCESS PROFITS TO
COMPANY IN 5 YEARS
(Over 10%)
\$7,702,725

This is a chart showing in the first column return of \$1,657,400 that the city would receive on the longitudinal lines if the New York Railways Corporation offer is accepted and a 25-year franchise is granted. The Company would pay to the city only one per cent of gross revenue for the first ten years and two per cent for the last fifteen years.

In the second column is shown the return to the city over a twenty-five year period (\$37,176,275) if the city granted the New York Railways Corporation a terminable franchise of five years guaranteed duration, and then at the end of the five years captured the bus lines for municipal operation under Section 73 of the City Charter.

In the third column is shown the amount of surplus profit which the New York City Omnibus Corporation would receive during the five years of operation in excess of ten per cent on its actual investment. This \$7,702,725 would reimburse the New York Railways Corporation for most of its claims for old securities and in addition give a ten per cent profit during the first five years of operation.

Under the terms offered by this company there will be an annual net profit of 164% on actual investment.

One fact makes the battle for these longitudinal lines in Manhattan different from the others. That fact is that the New York Railways Company already has perpetual franchises for the use of New York City's streets for trolleys.

Because of the "nuisance value" of the perpetual franchises, the City Affairs Committee suggests that the company be granted five years of operation of buses under a terminable franchise which would give it a chance to earn \$7,700,000 surplus profits, *above ten per cent profit*, which could be used to reimburse holders of the present street car securities. The street cars now operated by the New York Railways Company are a nuisance. Buses should be substituted for them as soon as possible. But substitution should be made on decent terms, not on the outrageous terms offered by the company.

FIFTH AVENUE COACH COMPANY

This company pays dividends of 950% on an original investment of \$50,000. It is able to do so because of a 10 cent fare. Many of its routes are operated illegally, according to the opinion of the corporation counsel. This company wants more routes at a 10 cent fare. This company owns the New York Railways Corporation and is itself owned by a series of holding companies ending up in the Omnibus Corporation controlled by four Chicago busi-

ness men. Mayor Walker has indicated no action would be taken to stop operation under the illegal franchises and favor granting of additional franchises to this company.

The City's Share of Manhattan Bus Profit (CROSSTOWN ROUTES)

MUNICIPAL
OPERATION
\$13,275,000

THE OFFER OF
GREEN BUS LINES
AND CITY BUS CO.
\$3,750,000

THE PRESENT DEAL
\$1,875,000

This chart shows the return to the city on the Manhattan Crosstown Lines for a twenty-five year franchise.

The first column represents the amount (\$1,875,000) that would be paid to the city by the New York City Omnibus Corporation if the proposed franchise is given to them, five per cent of gross returns.

The second column shows the return to the city if the offer of the Green Bus Lines or the City Bus Company is accepted, \$3,750,000, or ten per cent of the gross revenues.

The third column shows what the city would gain from twenty-five years operation if it recaptured the Crosstown Lines at the end of two years under Section 73 of the City Charter. It is assumed that for the first two of the twenty-five years the City would receive the returns proposed by the Green Bus Lines and the City Bus Company.

The crosstown lines in Manhattan are a different story. There are no perpetual franchises involved. Buses are now being operated upon these lines by independent operators who have nothing but temporary permits. They and another bidder, City Bus Company, offer the city double what the New York City Omnibus Company offers, or \$1,875,000 a year more. It is obvious that the franchise should be granted to the highest bidder and later recaptured. Under the offer of the New York City Omnibus Company, the company will make an annual net profit of at least 98%.

RICHMOND

George Seabury has brought out in a public statement that Borough President John A. Lynch, Richmond was interested in a newspaper franchise. The Tompkins Bus Company took over the franchise a week before it was granted a franchise. George Seabury has suggested that Mr. Lynch be guilty of bribery in favoring the grant of this franchise. Further developments are expected.

The City Affairs Committee's fight against these outrageous profits has been greatly strengthened by the opposition of Comptroller Berry and Deputy Comptroller Prial. Comptroller Berry has issued a report, after a long investigation, opposing the proposed franchises on the ground that they "are to the distinct disadvantage of the city and unduly favor the operating companies. Besides being disadvantageous to the taxpayers as a body, the terms are unfair to the patrons of the buses."

Because of the opposition of the City Affairs Committee, Norman Thomas, Comptroller Berry and Deputy Comptroller Prial and many vigorous civic organizations in Queens, the proposed franchises, which were to be granted to the North Shore Bus Company and the Jamaica Bus Company in Queens and the proposed Manhattan franchises which were to be granted to the New York City Omnibus Company and the Fifth Avenue Coach Company are still before the Board of Estimate. They can be killed if the public will rally behind the opposition.

THE CITY AFFAIRS COMMITTEE OF NEW YORK *A Non-Partisan Committee for Civic Reconstruction* 112 East 19th Street, New York City

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